

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** February 4, 2008

**Bill Number:** S.B. 905

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**Committee Requesting Impact:** Senate Finance Committee

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### Bill Summary

A bill to enact "The Beachfront Finance Act" by amending Chapter 1, Title 6 of the 1976 code, by adding Section 6-1-580, relating to the local accommodations tax, to provide that a county or municipality may issue bonds to finance the cost of controlling and repairing waterfront erosion, by amending Section 6-4-15, relating to the state accommodations tax, to provide that a municipality or county may issue bonds to finance the cost of controlling and repairing waterfront erosion, by amending Section 6-4-20(b), relating to the state accommodations tax, to provide that the state treasurer shall not withhold accommodation tax funds from a local government that collects four hundred thousand dollars or more if the local government has within its boundaries a beach that is ranked among the most at-risk beaches in the state by the Office of Ocean and Coastal Resource Management, to provide that a local government with one of the most at-risk beaches within its boundaries may issue a beach renourishment bond or may use the funds retained for the purpose of controlling or repairing waterfront erosion, and by amending Chapter 40 of Title 48, relating to the Beach Restoration and Improvement Trust Act, by adding Section 48-40-70, to require the Office of Ocean and Coastal Resource Management to rank the most at-risk beaches in the state in its annual State of the Beaches report.

### REVENUE IMPACT <sup>1/</sup>

Because this bill involves the reapportionment of local revenues, this bill is not expected to affect state General Fund revenue in FY2008-09. Local governments containing at-risk beaches would be able to keep \$578,018 that is currently being withheld from them and apportioned among the other municipalities and counties from the accommodations tax.

### Explanation

This bill would create the Beachfront Finance Act by adding Section 6-1-580 to allow any county or municipality to pledge the proceeds of the local accommodations fees and local hospitality fees to secure obligations to finance the cost of controlling and repairing waterfront erosion. In FY2005-06, revenue from the local accommodations and hospitality fees amounted to \$38,496,510 and \$114,849,918, respectively. This bill also amends Section 6-4-15 to include "controlling and repairing waterfront erosion" as a qualifying use that a municipality or county may issue bonds to secure obligations to finance the cost of such projects against revenue derived from the state portion (2%) of the accommodations tax. Currently, in counties that receive more than \$400,000 in state accommodations tax revenue, the State Treasury withholds a percentage of the difference between \$400,000 and the actual amount collected. This amount is apportioned to the municipalities and the county in the same proportion as they received quarterly remittances of the state accommodations tax. There are currently fourteen counties that met the \$400,000 threshold in FY2006-07. This bill amends Section 6-4-20(B) to include item (2) to instruct the State Treasury not to withhold a percentage of funds of a local government within a county area that collects \$400,000 or more from the state portion of the accommodations tax if the local government has beach identified as an at-risk beach ranked in the Annual State of the Beaches Report. Based on information from the draft 2007 Update to the State of the Beaches Report there are six potential beaches that meet the criteria of this bill. Local governments containing at-risk beaches would be able to keep \$578,018 that is currently being withheld from them and apportioned among the other municipalities and counties from the accommodations tax. The beaches are located in Horry, Georgetown, Charleston and Beaufort counties. Because this bill involves the reapportionment of local revenues, this bill is not expected to affect state General Fund revenue.

/s/ WILLIAM C. GILLESPIE, Ph.D.

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<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.